The Israeli Economy: Current Trends, Strength and Challenges

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Governor of the Bank of Israel

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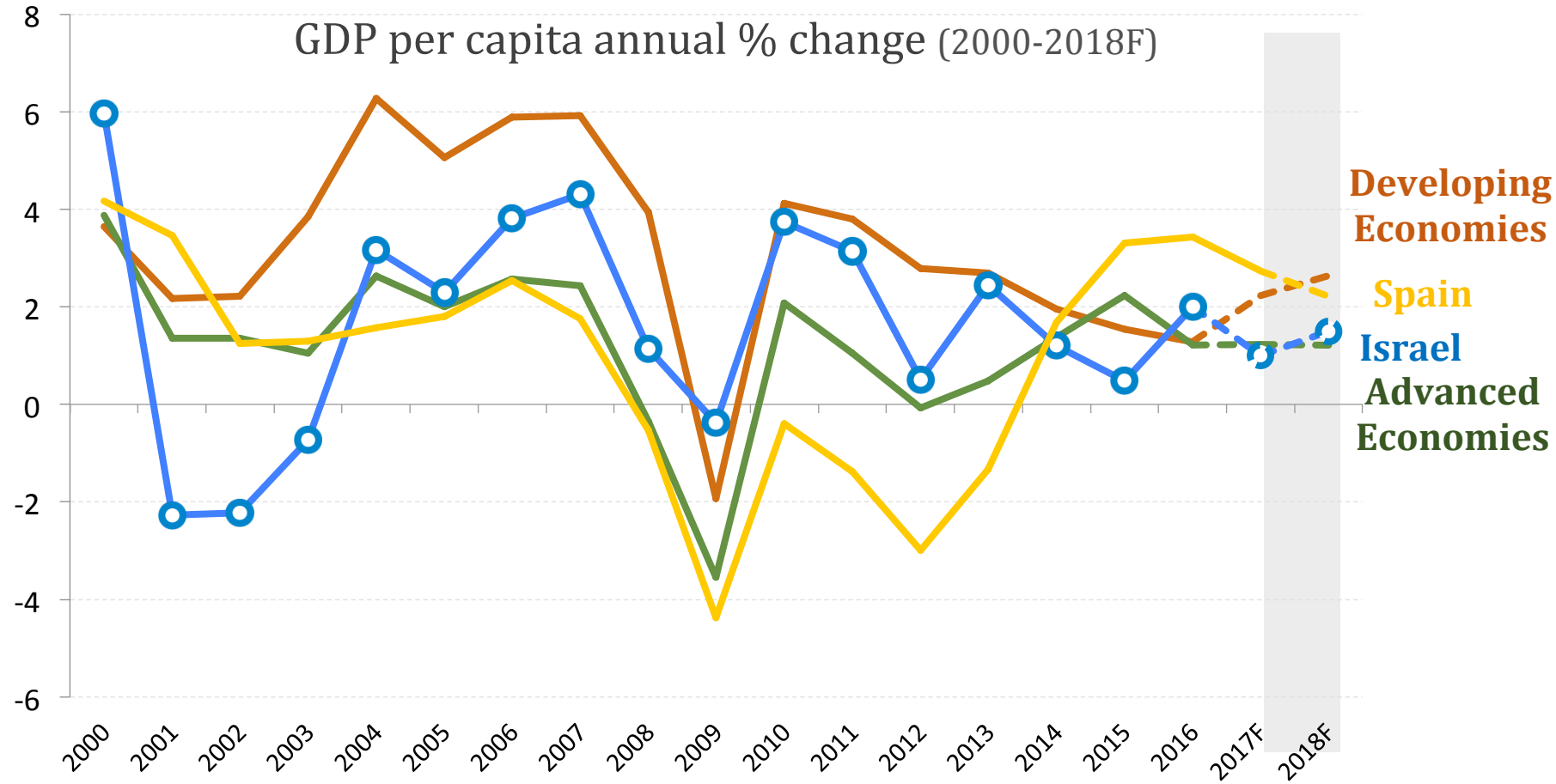
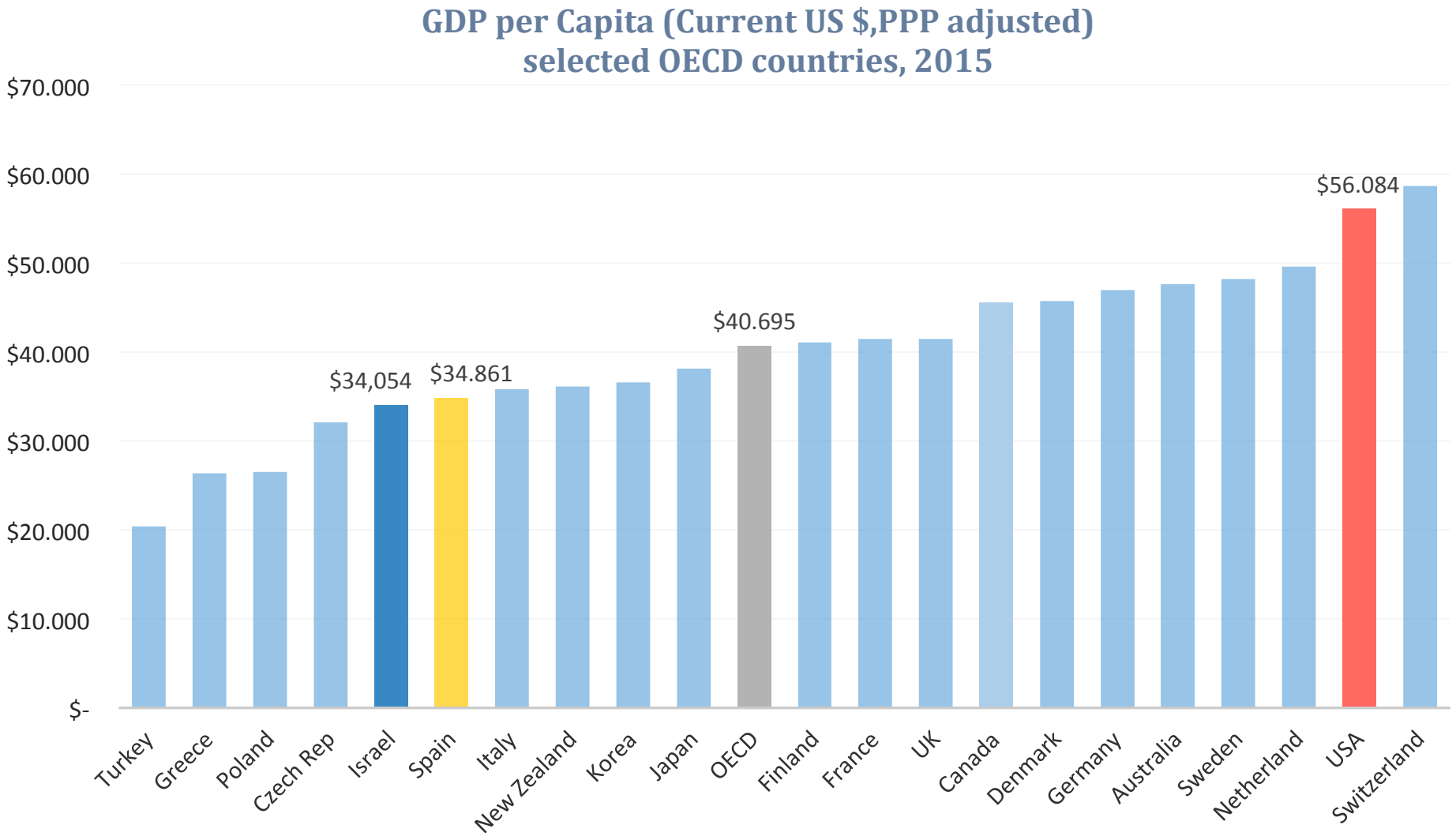
GDP per capita Growth Rates



*Simple average for 21 rich OECD countries and emerging markets according to IMF definition

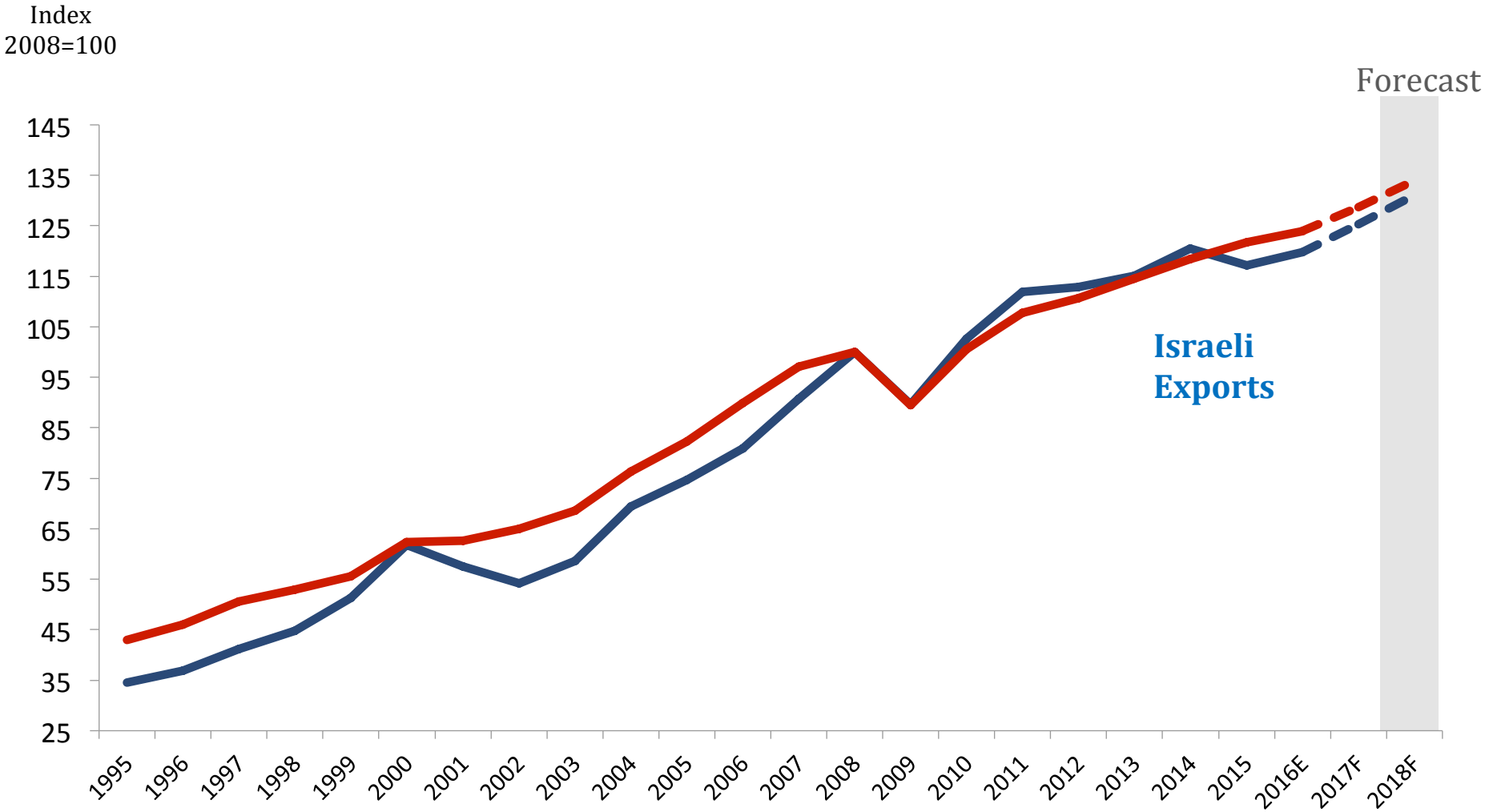
Source : IMF

GDP per Capita, International Comparison



Source : IMF

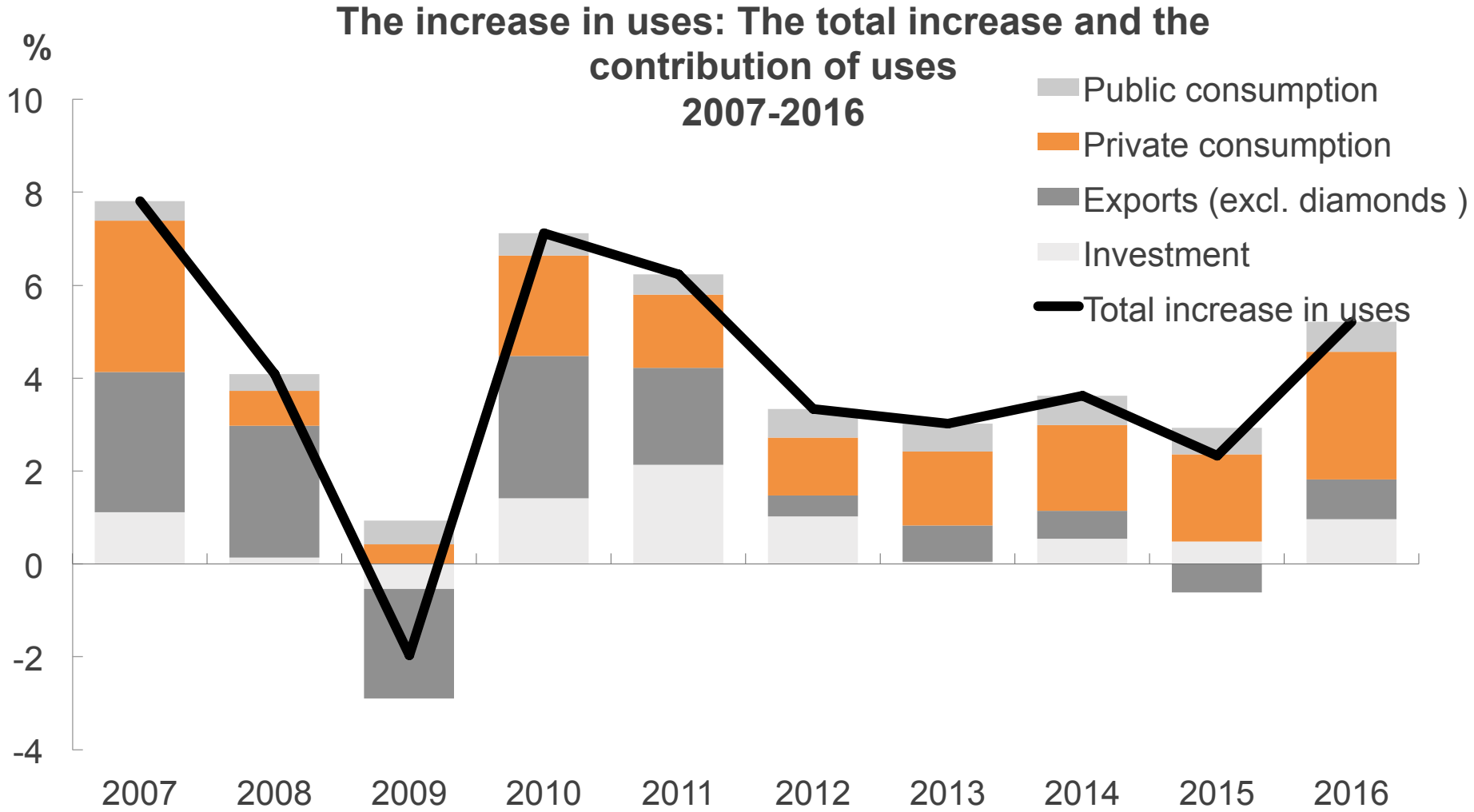
Israel's Goods and Services Exports and World Trade, 1995-2018F



*Excl. diamonds and start-ups

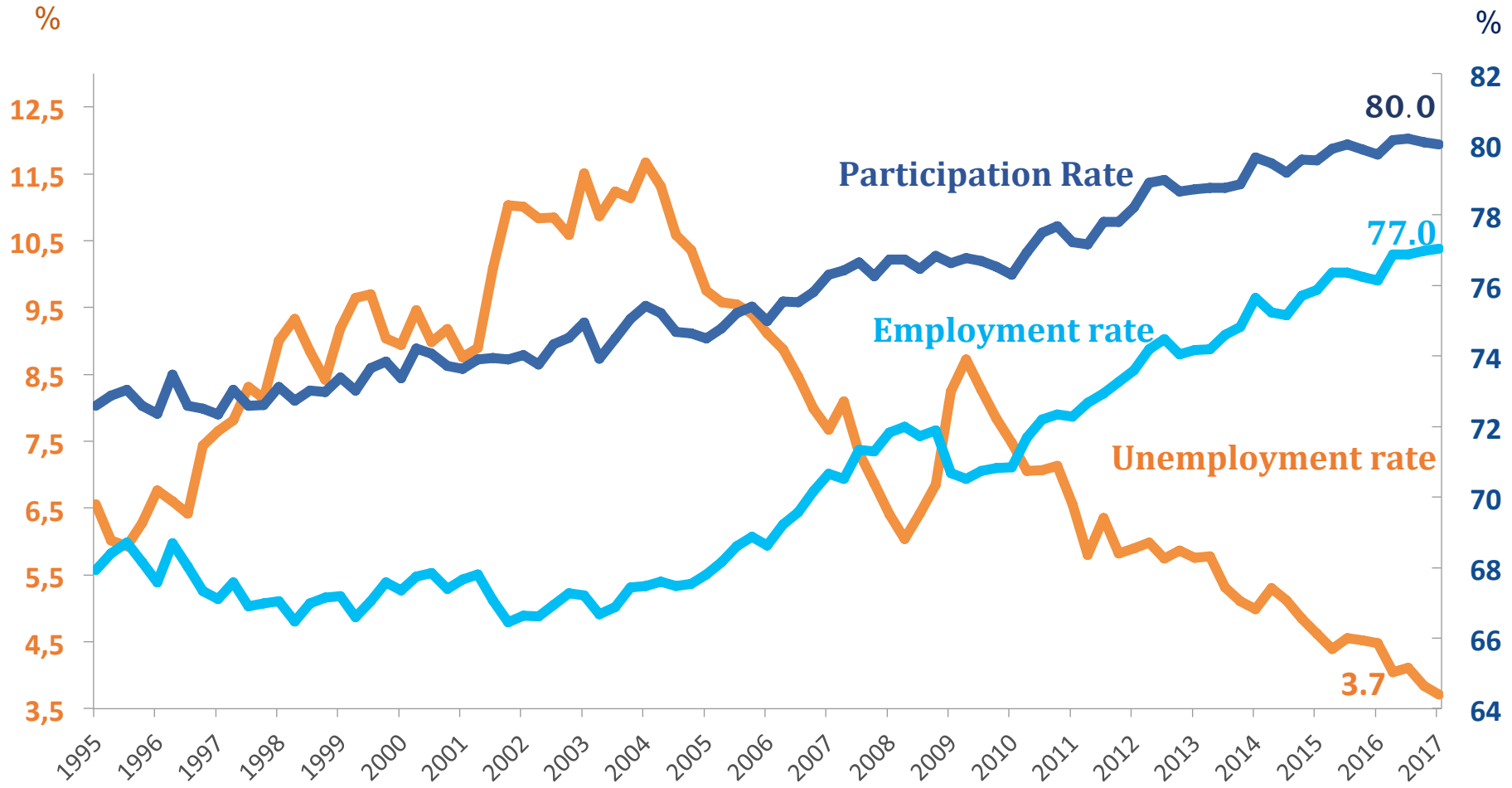
Source : Bol and IMF

Structural Change in the Composition of Growth –Private Consumption is Leading While Exports have a modest contribution



Labor Market

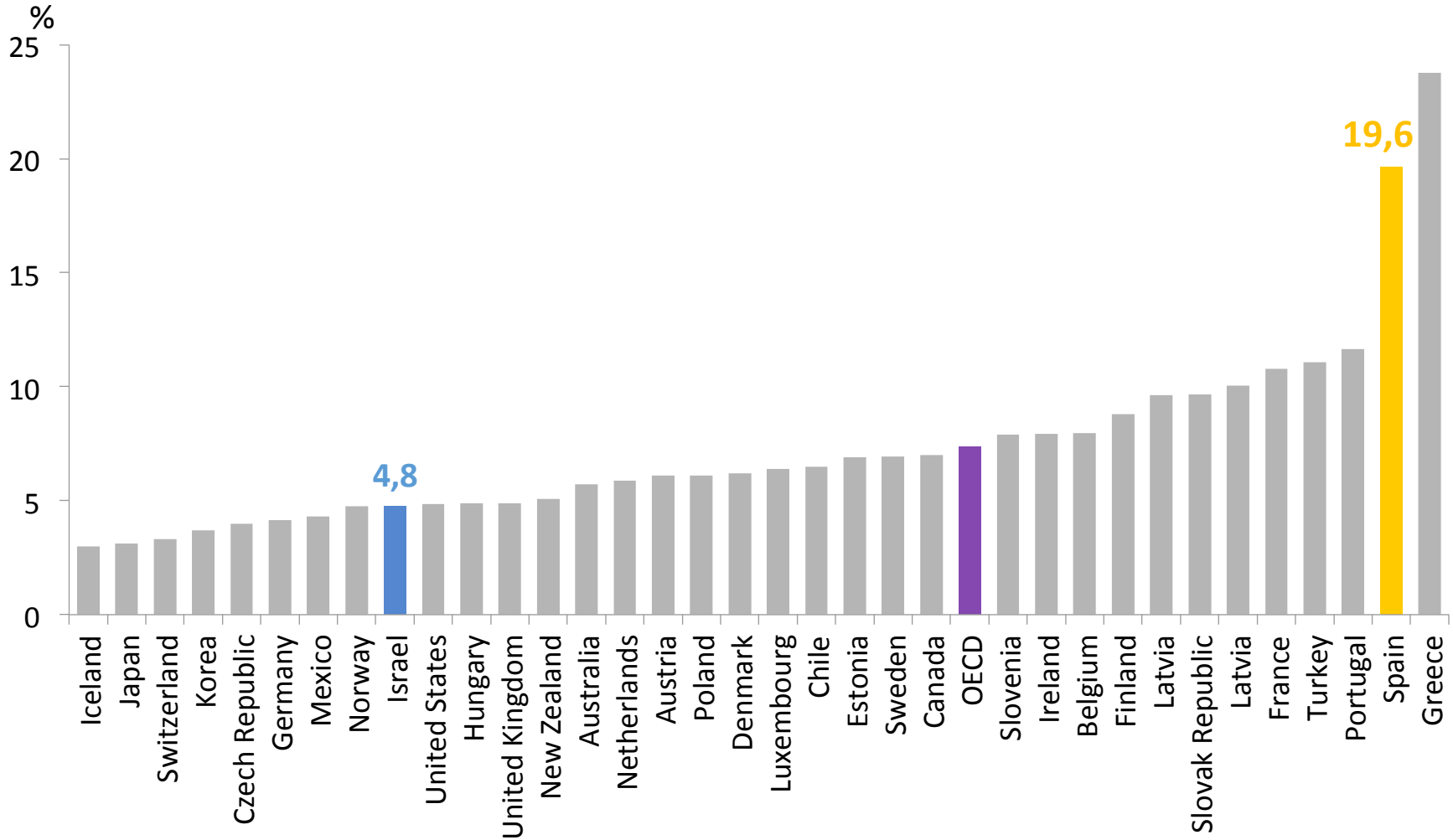
Quarterly, 1995-2017, 25-64



*The data for 2016-Q4 is calculated by the average of October and November

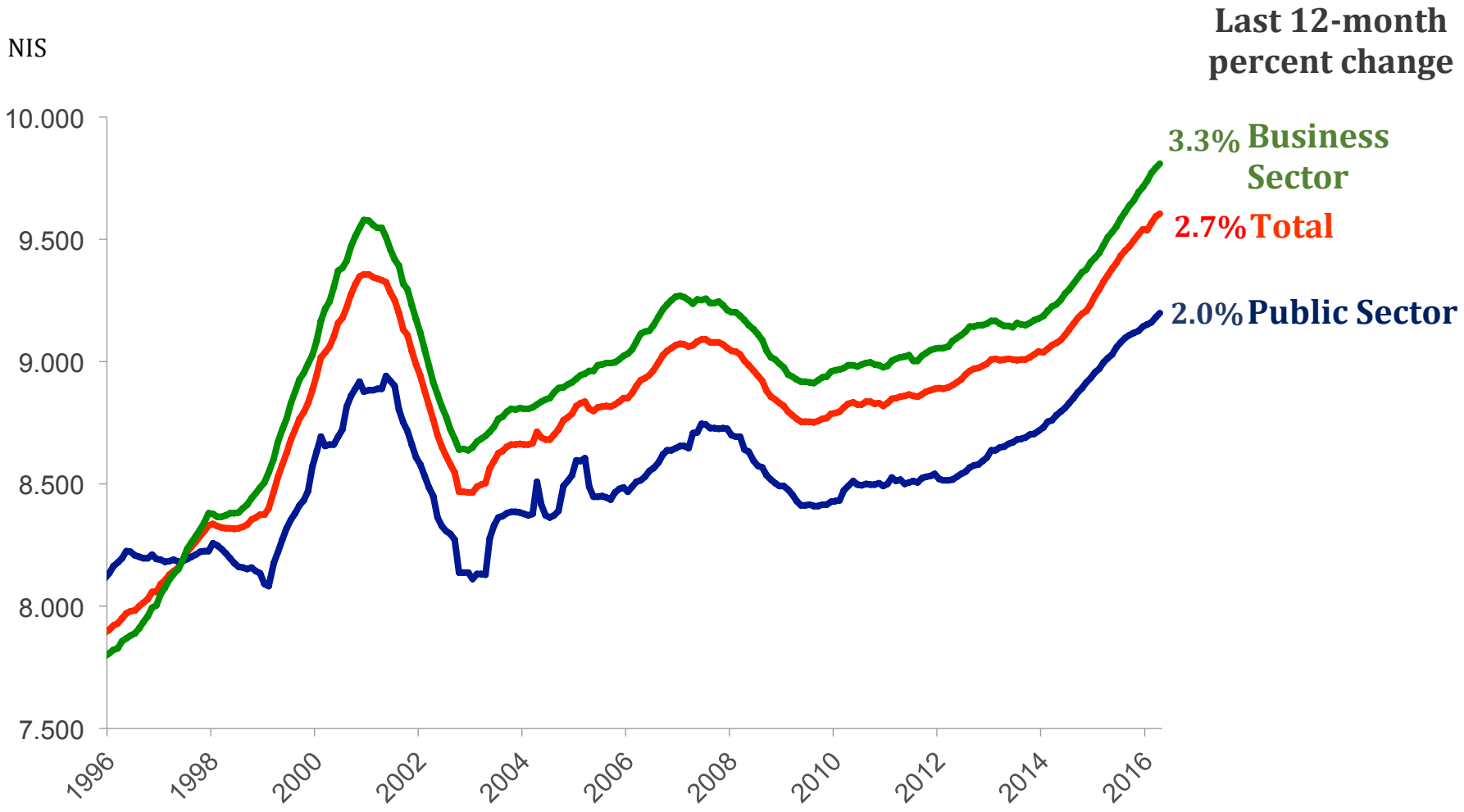
Source : Central Bureau of Statistics Labor Force Survey

Unemployment rate, 25-64, 2016



Source: OECD and BoI

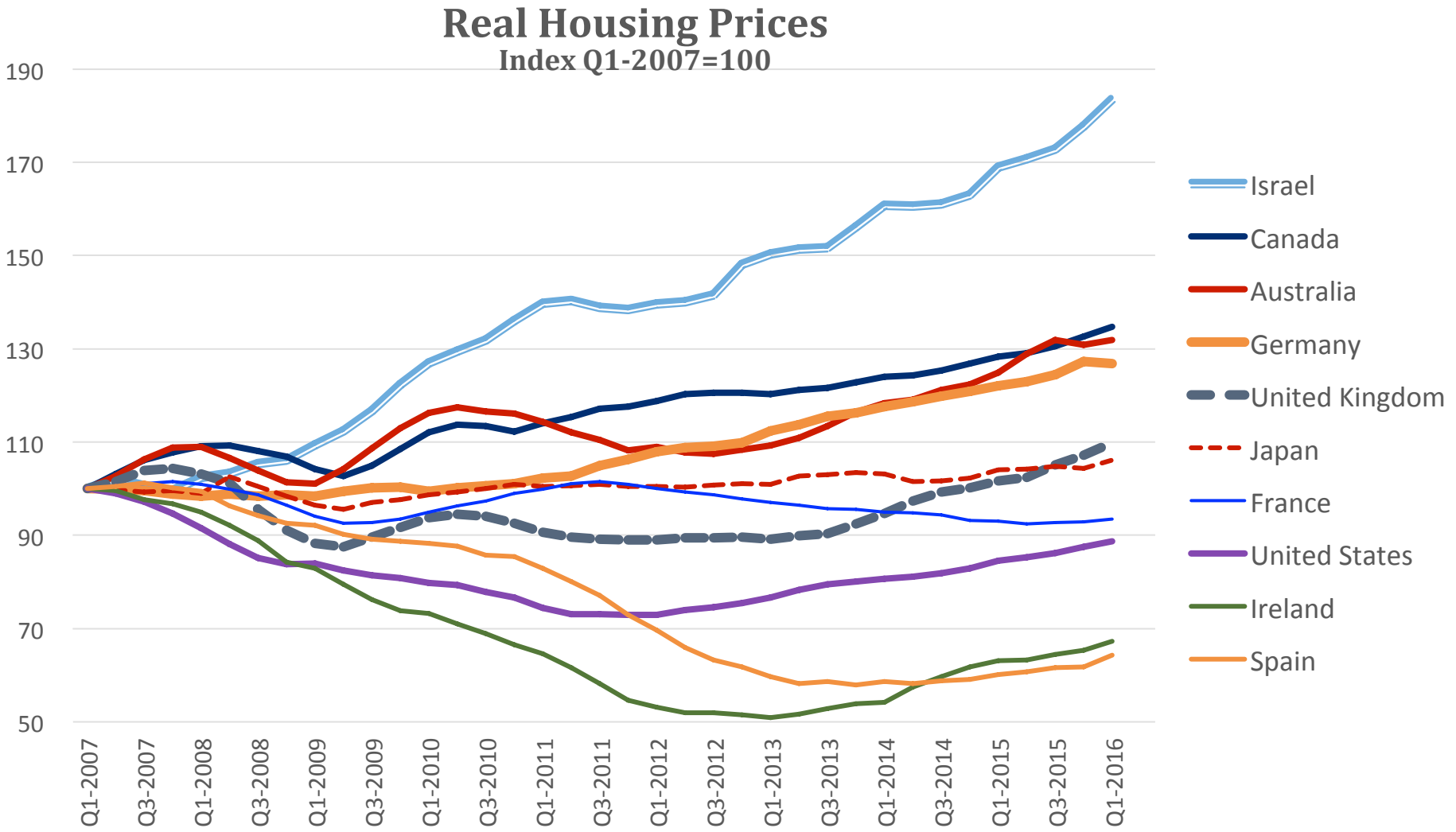
Real Wage per Employee Post*
1995-2017



*Seasonally adjusted, 12 months moving average, 2015 prices

Source : Central Bureau of Statistics Data

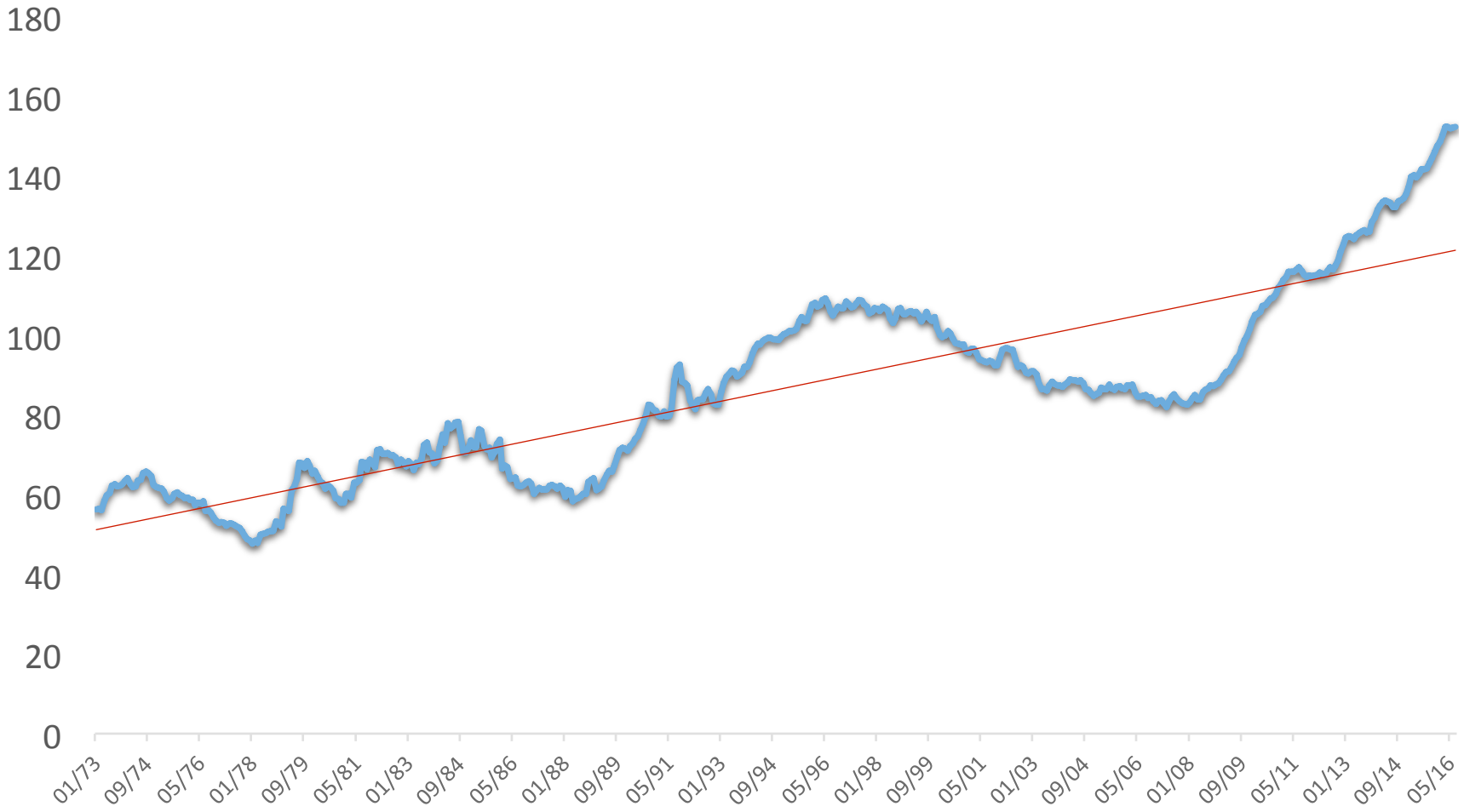
Housing Prices since the GFC
2007-2016



SOURCE: OECD

Housing Prices – the Long Run 1973-2016

index, 2000=100

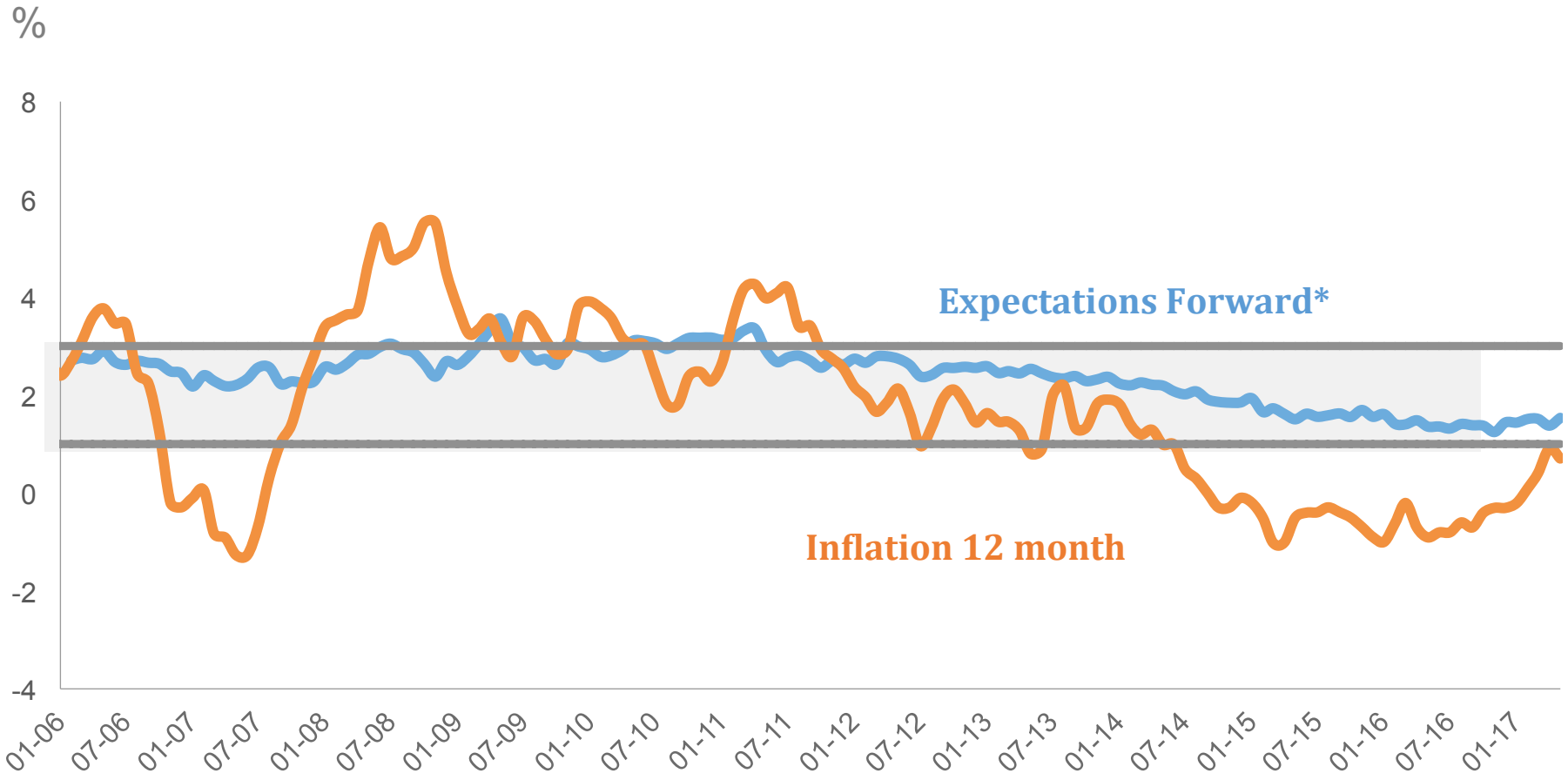


Source: BoI & CBS

Bank of Israel Policy

Actual Inflation and Inflation Expectations

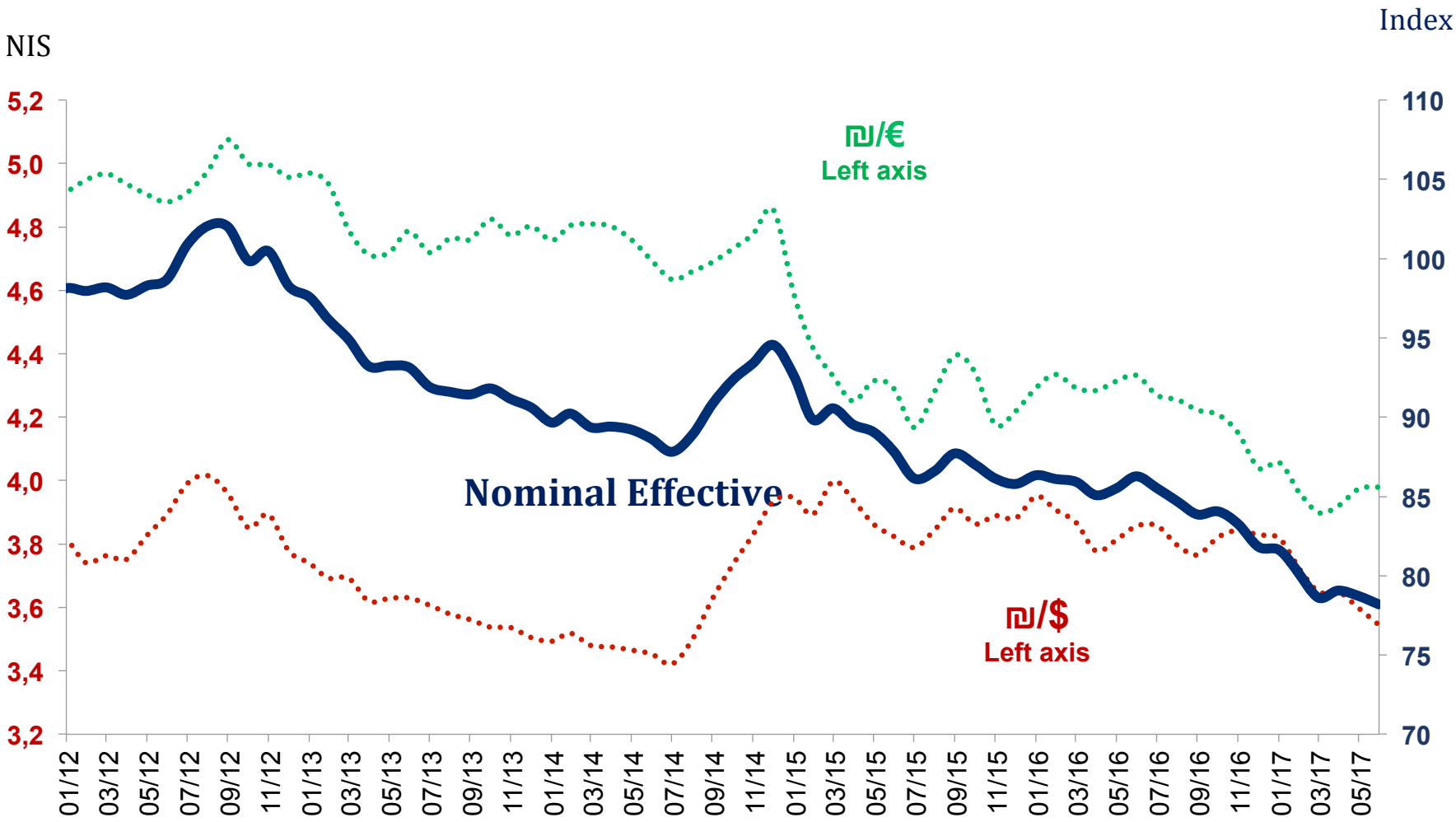
2006-2017



* Forward inflation expectations 3-5 years

Source: Bol

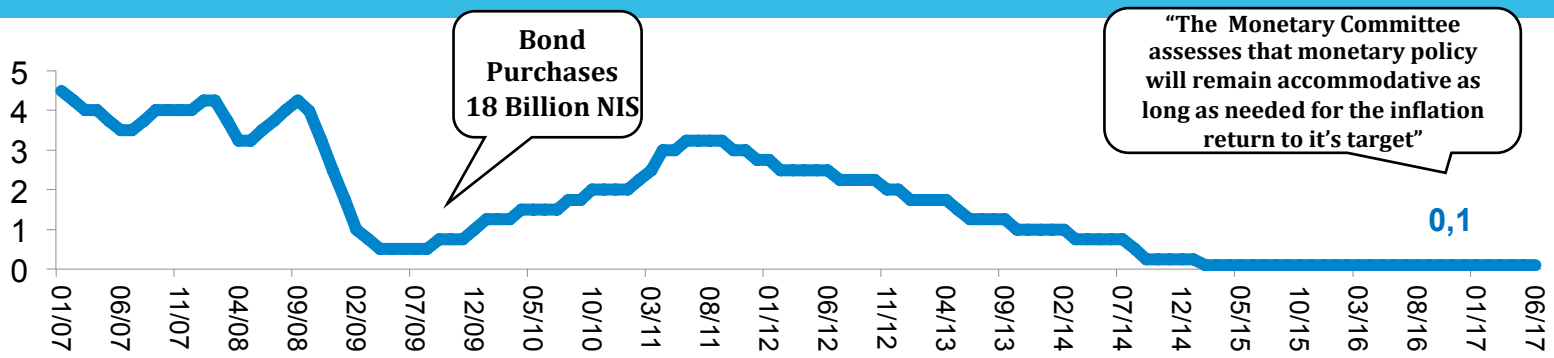
Exchange Rates
2012-2017



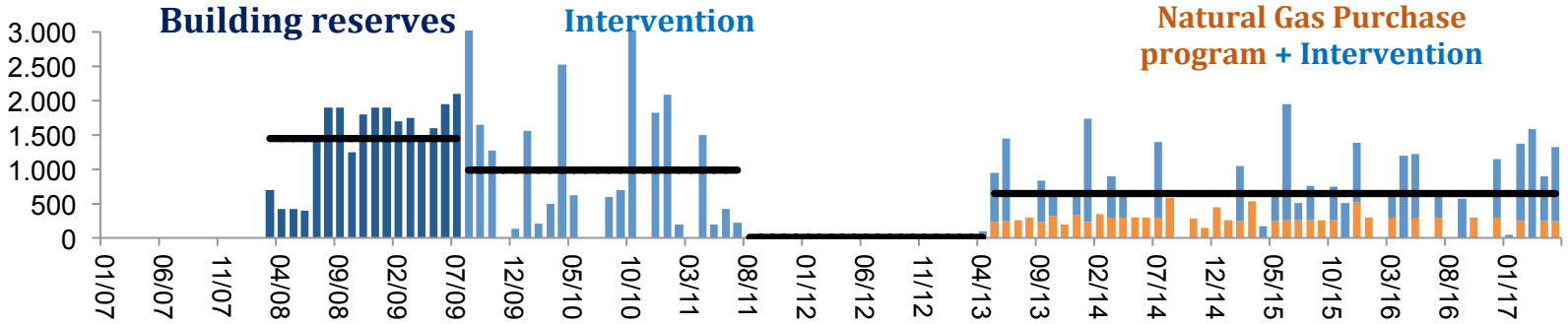
Source : BoI

Bank of Israel Policy Tools
2007-2017

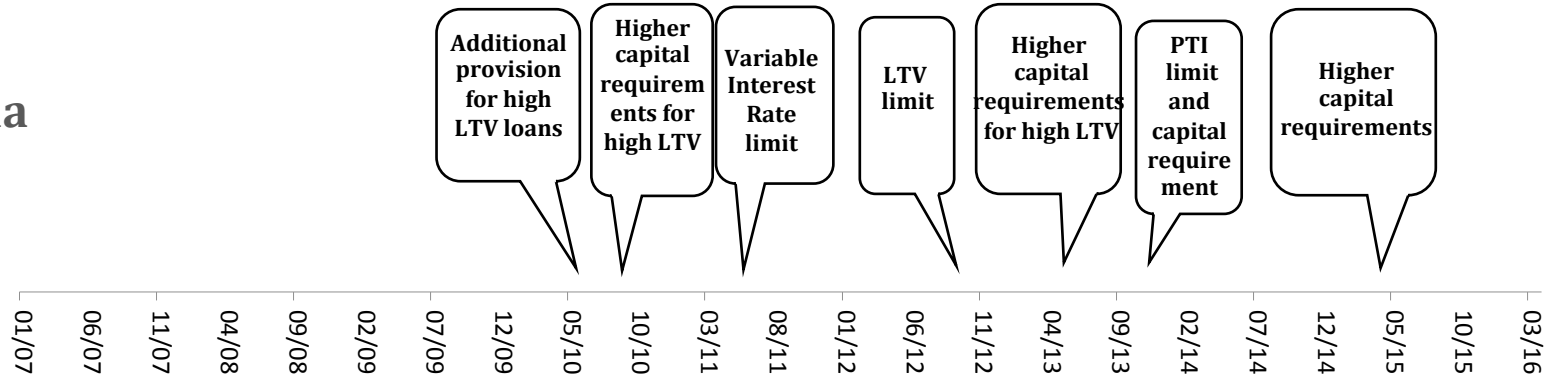
Interest Rate (%)



FX Intervention (US$)



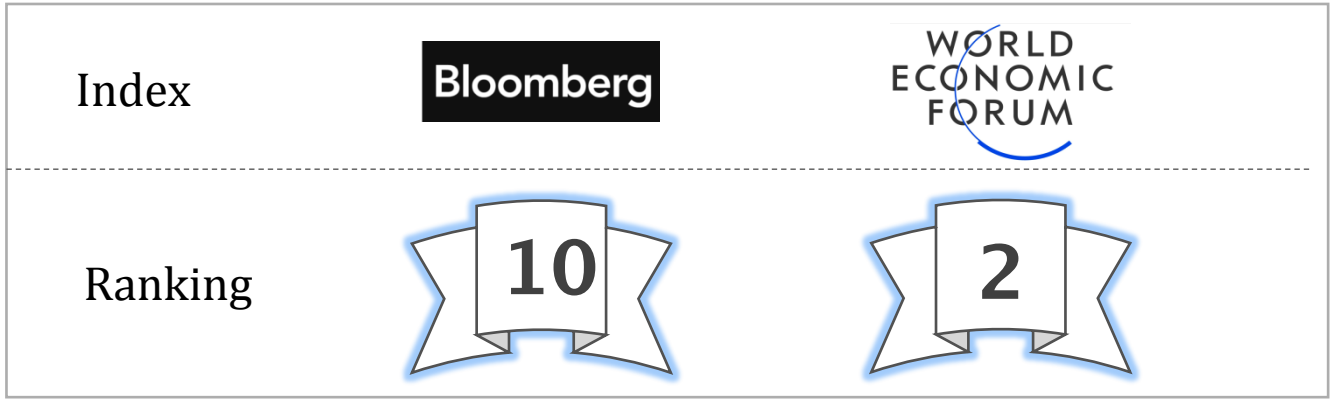
Macroprudential Measures



Source : BoI

The Strengths Behind Israel's High Tech Sector

Israel is Leading in International Innovation Rankings

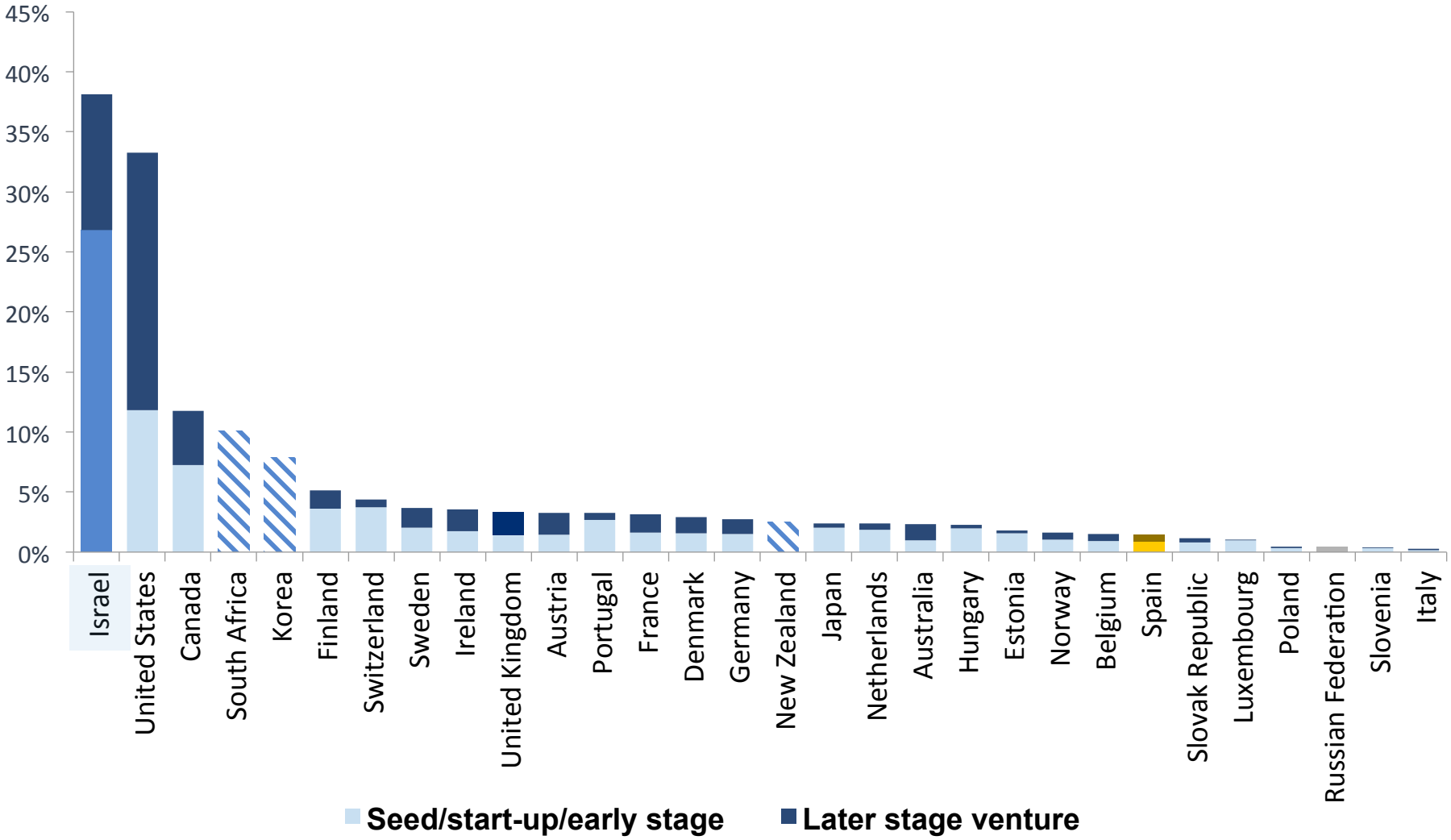


Factors in Israel that encourage innovation

- ✓ Quality universities that provide the economy with human capital, scientific aptitude, and technological abilities
- ✓ Collaboration between the universities and industry
- ✓ Government support for commercial R&D
- ✓ Developed venture capital industry

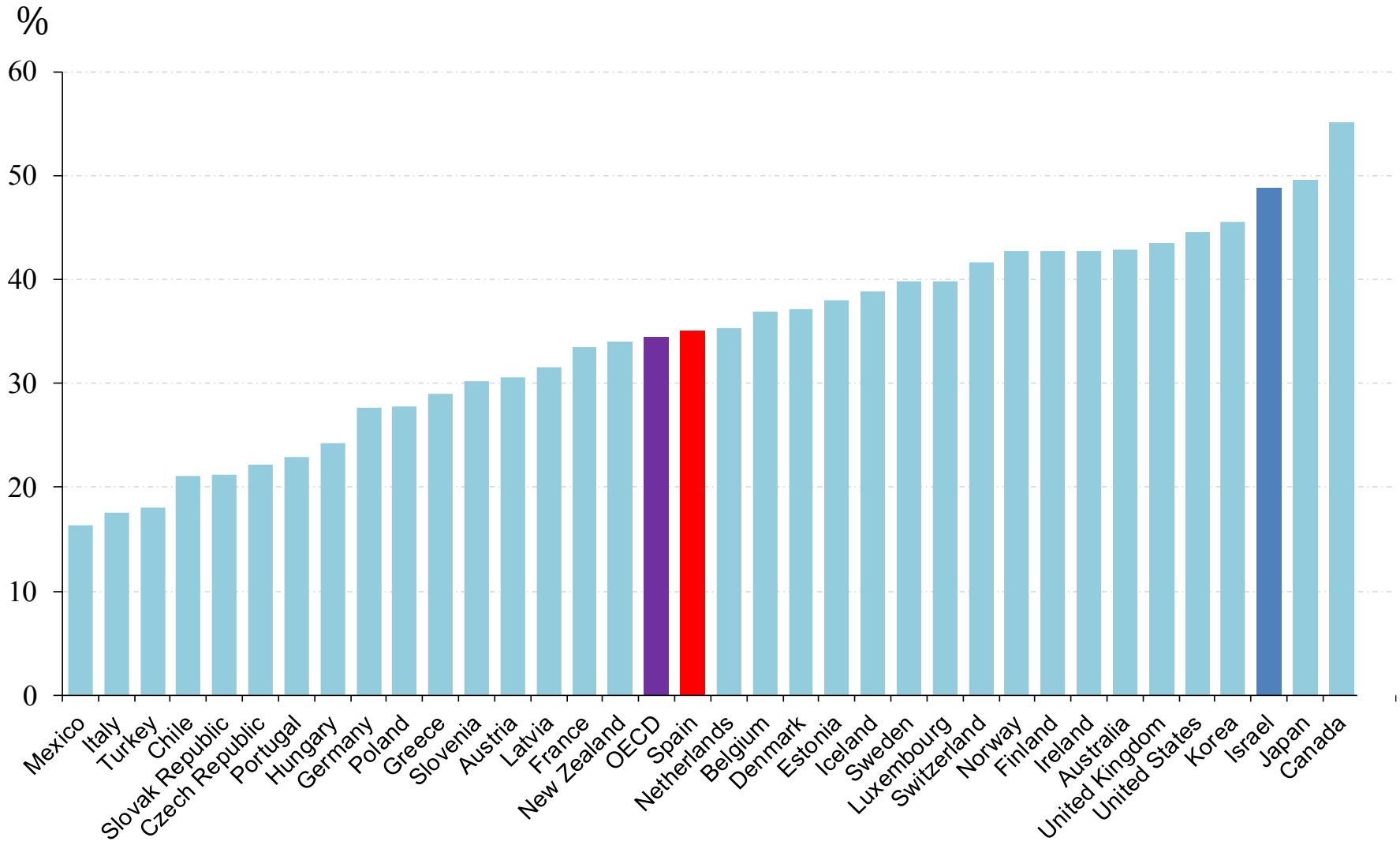
Source: World Economic Forum 2016-2017 & Bloomberg Innovation Report 2017

Venture Capital Investment as % of GDP, 2015



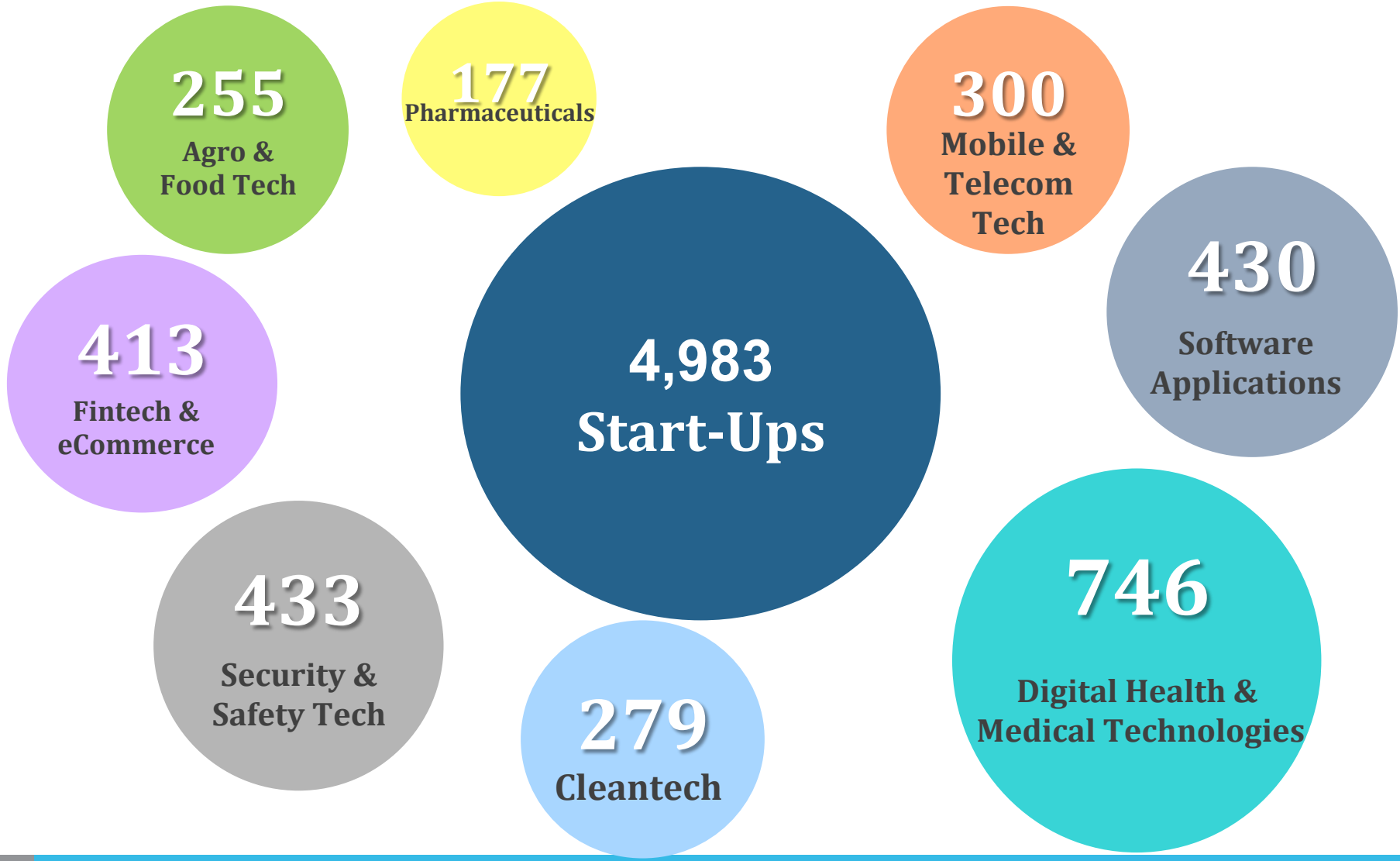
Source : OECD

Share of the Population Aged 25-64 with Tertiary-Level Education , 2015



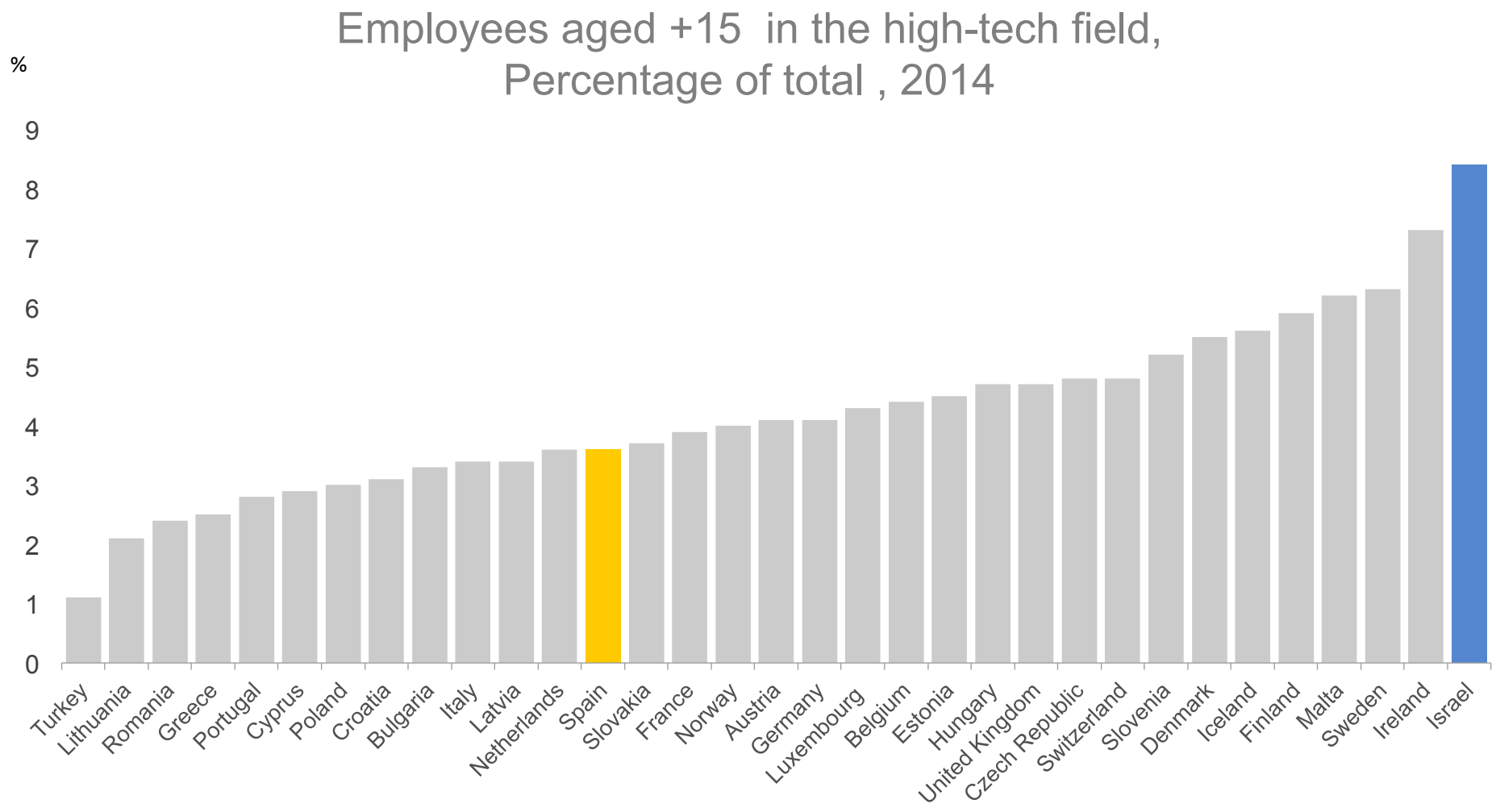
Source : OECD Education at a Glance 2015

Israel's Innovation Map



Source: Startup Nation Central

Employees In High-Tech, International Comparison

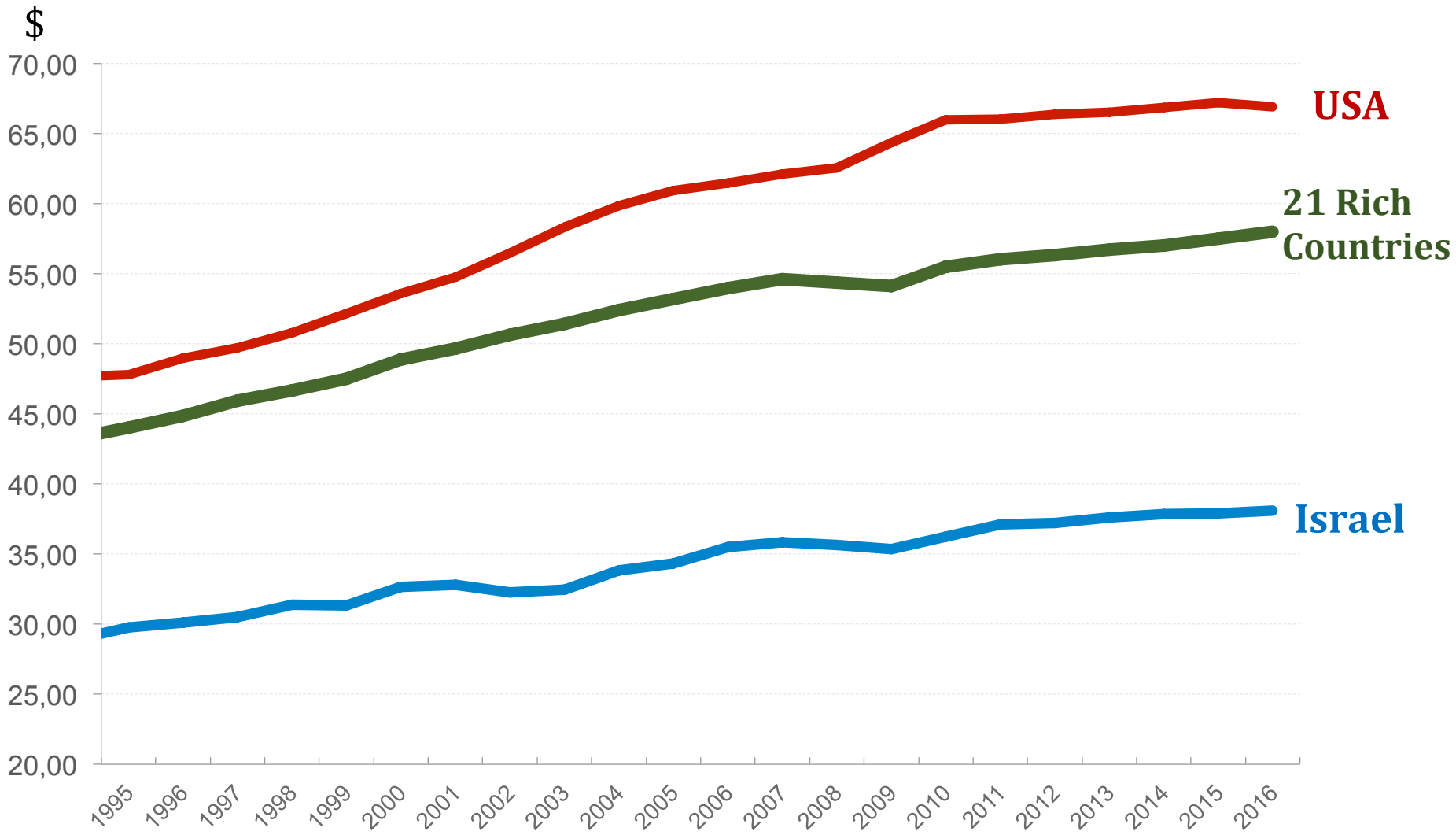


Source: CBS and EuroStat

Yet, There are Challenges Ahead

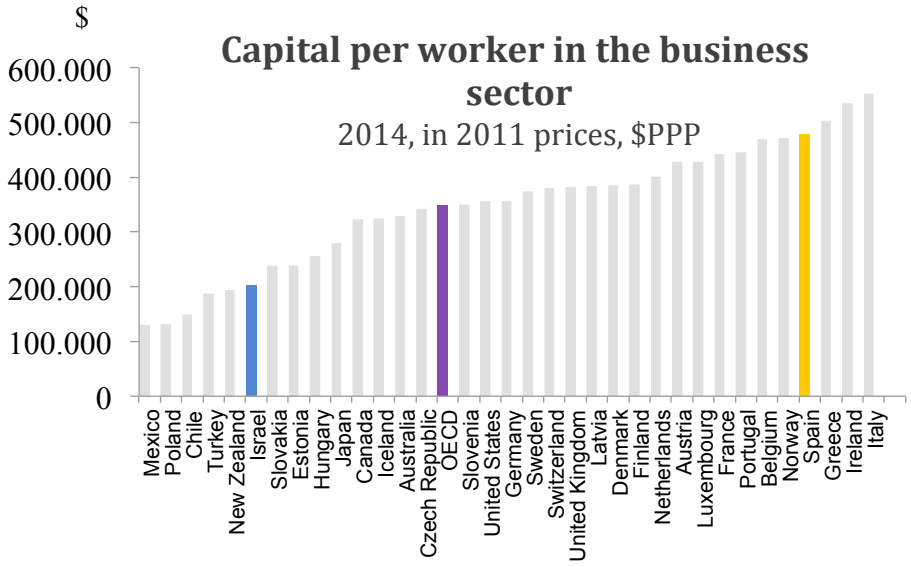
Output Per Hour Worked

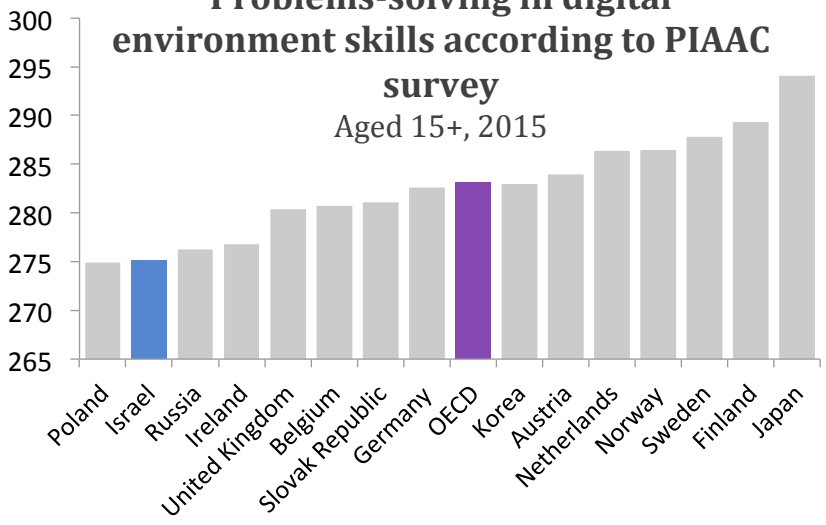
1995-2016,$ PPP, 2015 Constant Prices



Source : The Conference Board Total Economy Database 2016

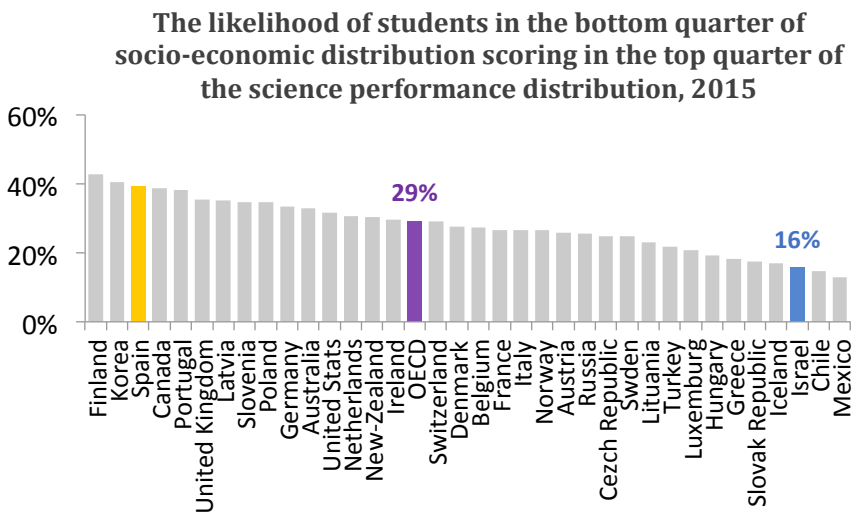
The Productivity Gap Occurs due to Several Reasons

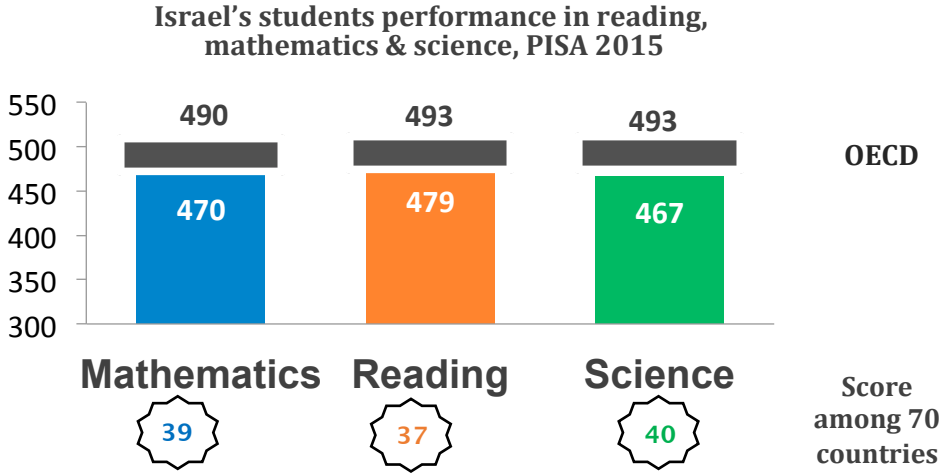


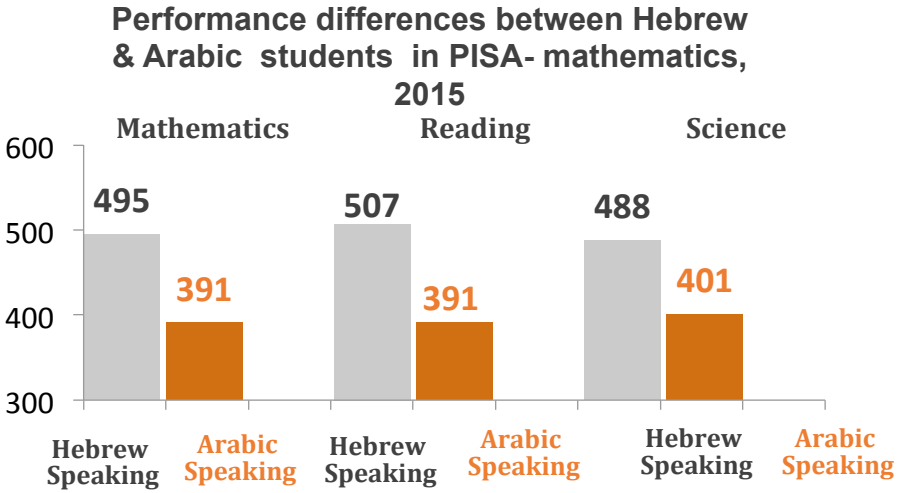


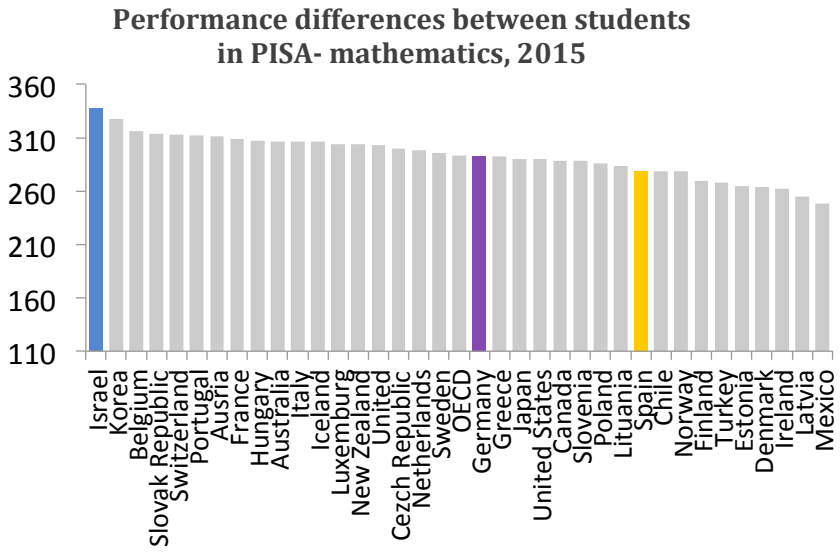
Source: BoI, RAMA, Doing Business

Indicators for Quality and Gaps in Human Capital



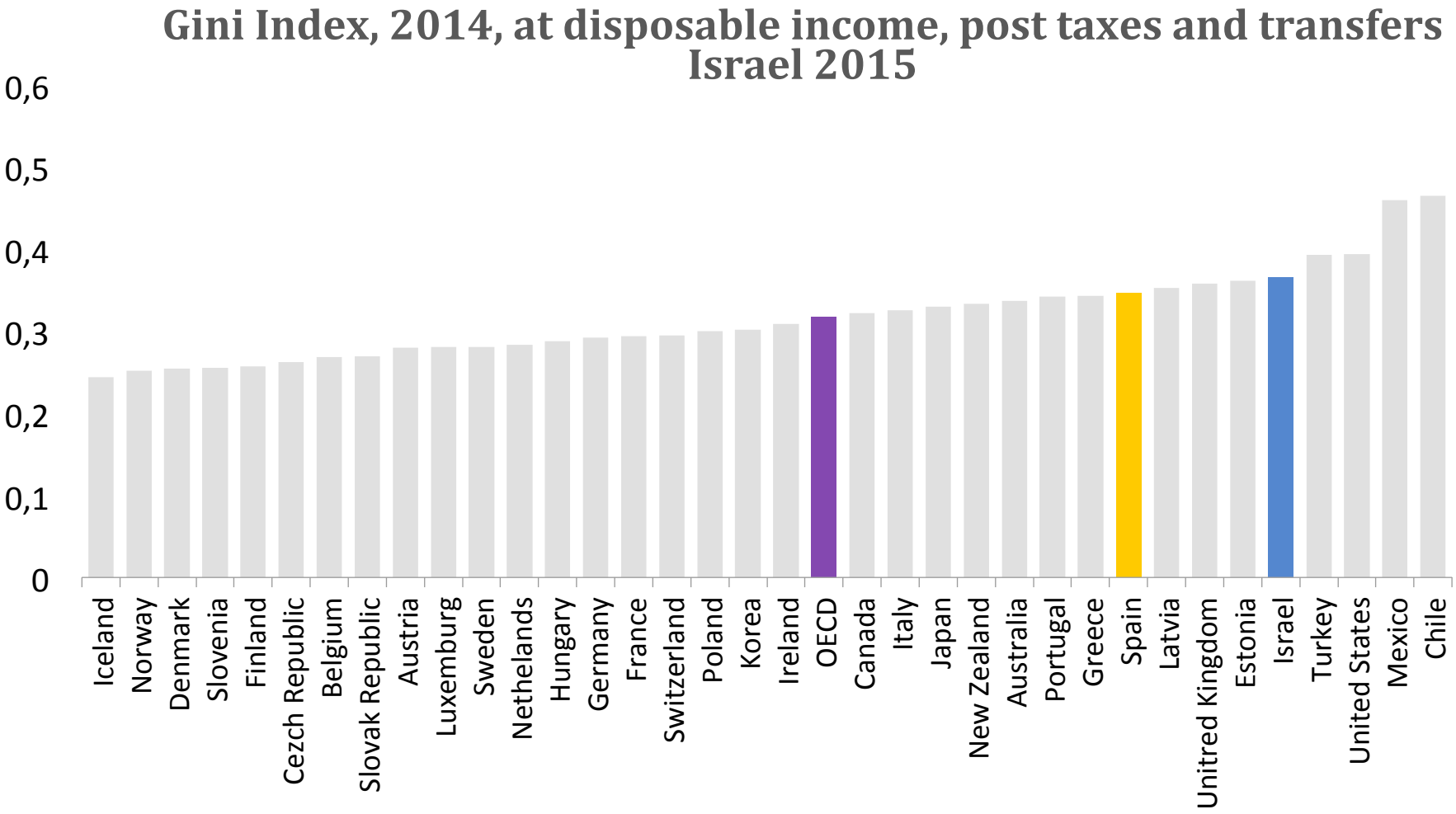






Source: OECD, RAMA

Economic Income Inequality is high



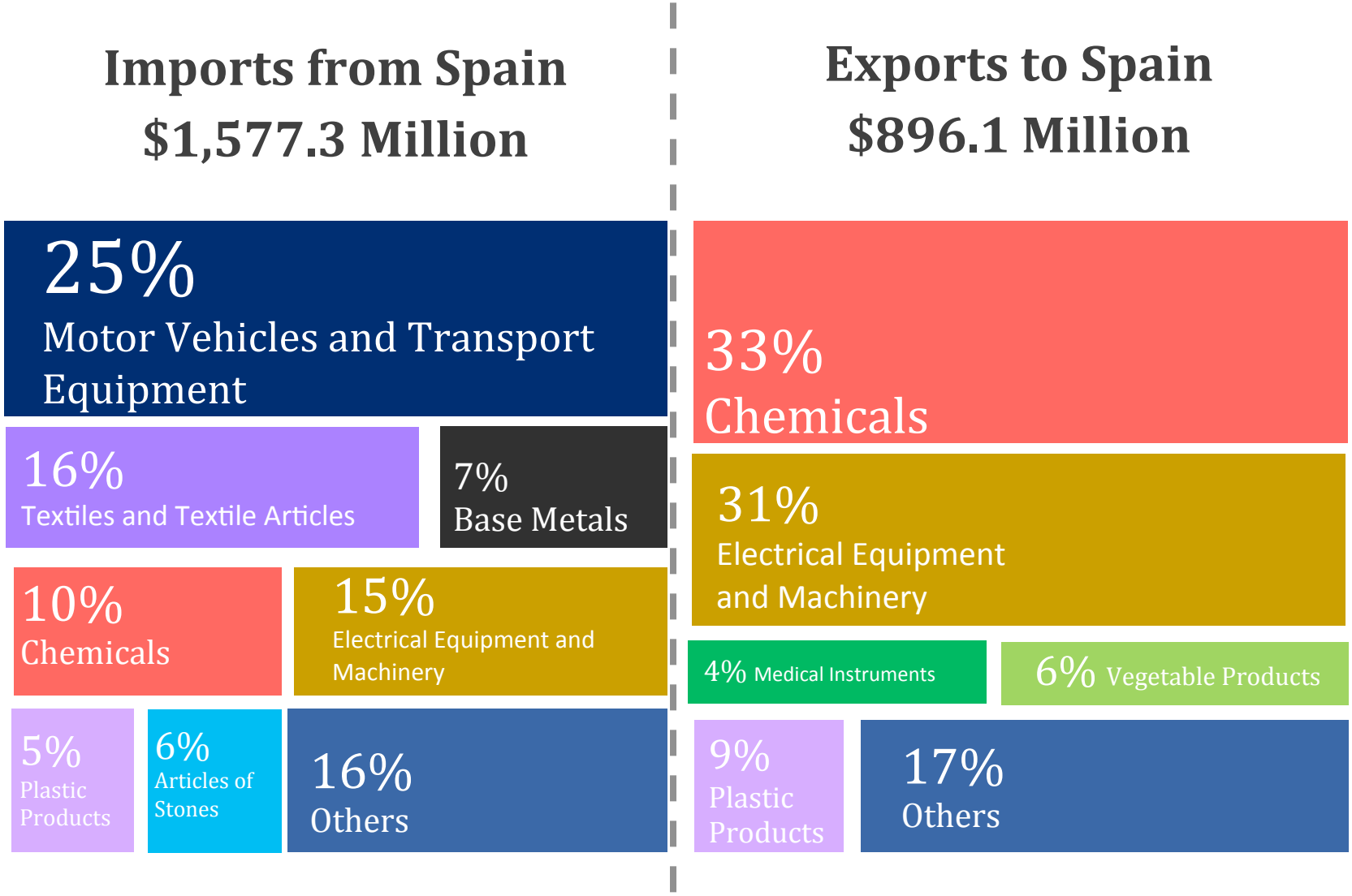
*Israel data for 2014

Source : Based on Central Bureau of Statistics Data and OECD

Israel & Spain

Trade Relations – Israel & Spain

Exports & Imports of goods, 2016

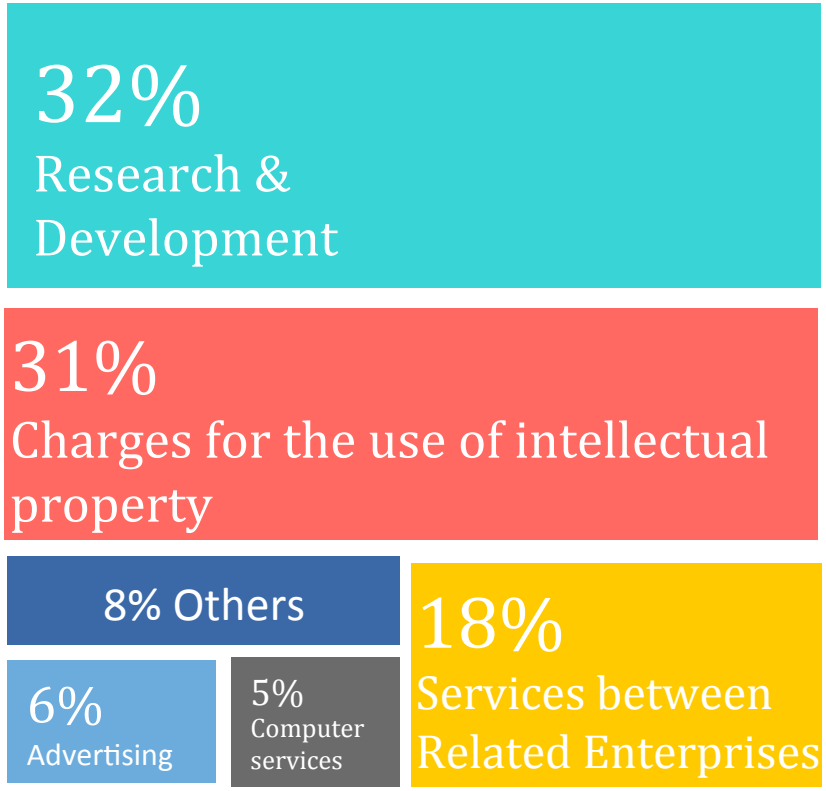


Source: CBS

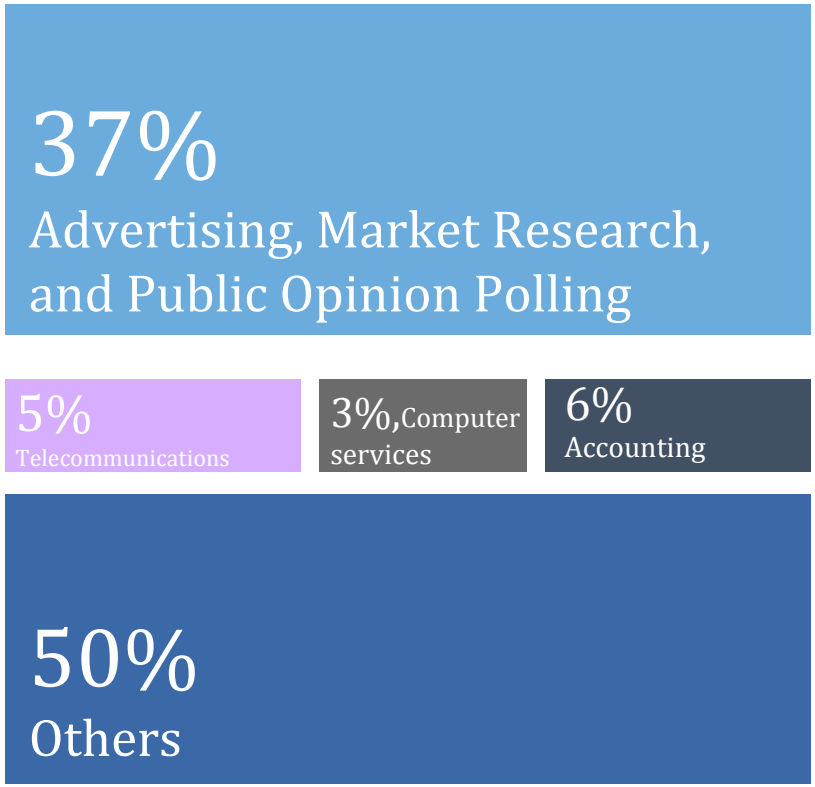
Trade Relations – Israel & Spain

Exports & Imports of Business Services, 2015

Imports from Spain
$53 Million



Exports to Spain
$42 Million



Source: CBS

To Sum Up

The Israeli Economy has a great potential, but while part of the economy utilizes its strengths and resources, inclusive growth of the economy as a whole requires a comprehensive and persistent policy.

The main pillars of such policy should address economic inequality, inefficient regulation and the need to increase both investment and human capital.

¡Gracias!